

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSES OF SATURATION MAIL COALITION WITNESS
HARRY J. BUCKEL TO INTERROGATORIES OF NEWSPAPER
ASSOCIATION OF AMERICA (NAA/SMC-T1-1-8)

The Saturation Mail Coalition hereby submits the responses of witness Harry Buckel to Newspaper Association of America interrogatories NAA/SMC-T1-1-8. The interrogatories are stated verbatim and are followed by the response.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Thomas W. McLaughlin

February 5, 1998

RESPONSES OF SATURATION MAIL COALITION WITNESS HARRY BUCKEL TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/SMC-T1-1. At page 8, lines 5-6 of your direct testimony, you state that the smallest of your customers account for more than 80 percent of the ads your carry. What percentage of your revenues are accounted for by these ads?

My statement referred to our classified advertisers, who account for about one-fourth of our total revenues. In addition, most of our display ad customers and a portion of our insert customers are also small local businesses, although typically not as small as those that depend on classified advertising. Advertising orders of less than \$500 account for about 40 percent of our total revenues.

NAA/SMC-T1-2. Please define the term "saturation-targeted" as used at page 8, line 19 of your direct testimony.

Our publications reach every household (saturate) in specific geographic zones of approximately 12,500 households each (targeted).

NAA/SMC-T1-3. Please refer to page 8, line 20 of your direct testimony. Please explain why you hand-deliver one of the five saturation-targeted shoppers.

We acquired a publication that was hand delivered since its inception in 1981. The size and weight of the publication, with its inserts, make it cost prohibitive to distribute with the Postal Service under the current rate structure.

NAA/SMC-T1-4. Please provide the following information regarding your annual mail volumes. (If precise data are not available, estimates are sufficient.)

- a. What proportion of your total annual volume of over 80 million is dropshipped to:
 - i. the destination BMC,
 - ii. the destination SCF,
 - iii. the destination delivery office.
- b. What proportion of your total annual volume is entered at the non-letter rate?
- c. What proportion of your total annual volume exceeds the breakpoint weight of 3.3 ounces?
- d. What proportion of your total annual volume, if any, would be subject to the proposed parcel surcharge if approved by the Postal Rate Commission?

- a.
 - i. None.
 - ii. None.
 - iii. 100%.
- b. 100%.
- c. About one-half.
- d. None.

NAA/SMC-T1-5. Please list your principal competitors in the Philadelphia markets.

- a. Which of these competitors rely on the Postal Service delivery of their product?
- b. Shouldn't you and your competitors want to have available a viable private delivery alternative to the Postal Service?

Our principal competitors in the Philadelphia market are the Philadelphia Inquirer, The Gloucester Times, The Camden Courier Post, The Burlington Times, ADVO, and several smaller rack and mail publications.

- a. Both the Courier Post and ADVO use a mixture of mail and private delivery in this market. The Courier Post uses non-postal delivery to deliver its publication to subscribers, and uses the mail to deliver its TMC program to nonsubscribers. ADVO uses both mail and private delivery to distribute its shared mail program.
- b. There already are viable private delivery alternatives in our markets, and I do not expect this to change, other than to expand. If you are suggesting that postal rates should be raised to make private delivery even more viable, then I would strongly disagree. Our preference is to remain in the mail, so long as postal rates allow us to remain competitive. Artificially driving up postal rates for the competitive benefit of private delivery companies and newspapers would be a disservice to the many businesses, especially small businesses, that rely upon saturation mail advertising, and would be detrimental to the Postal Service and other mail users who benefit from the contribution saturation mail makes.

NAA/SMC-T1-6. Please refer to page 9 of your testimony. Do any of the six Newport Media Inc. publications to which you refer at page 8 of your testimony publish news and sports reporting?

No, but we do publish useful consumer information such as free community announcements, consumer and personal financial advice columns, history columns, and items of general reader interest such as free birth announcements, horoscopes, crosswords and other puzzles, and reader contests.

NAA/SMC-T1-7. Do you believe that your customers get a better response rate when their advertisements are mailed than when they are delivered with a newspaper?

Our customers generally do, although response can vary depending on the kind of business, the profiles of the business's consumer audience compared to mail and newspaper editorial environment and distribution coverages, and other factors. A fashion retailer selling designer dresses, for example, might get a higher response rate from display ads in a more editorially-driven environment like a newspaper than in our saturation mail program, whereas a neighborhood delicatessen would likely get a higher response rate in our publication targeted to one or two zones near the store. In any event, response rate is only one of several factors that advertisers must consider, along with total advertising cost and advertising efficiency (i.e., cost per customer acquired).

NAA/SAC-T1-8. Do you believe that the prices that you charge customers are usually more or less than the prices charged to them by newspapers?

It varies and depends on the types of businesses and ads that are being compared, and on how the "price" is viewed. In many cases the more important factor from the advertiser's standpoint is not the unit price but the total advertising cost and effectiveness. For example, an advertiser wanting to cover only one zone of 12,000 households may pay a higher rate per thousand than with a newspaper but have a lower total advertising cost because the newspaper's minimum zone for classifieds may be much larger than ours. Moreover, the newspaper classified ad may not reach every household in the area the advertiser wants to cover, and may reach well beyond the advertiser's prime market area.

DECLARATION

I, Harry J. Buckel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


HARRY J. BUCKEL

Dated: 2/4/98